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GOVERNMENT OF INDIA

MINISTRY OF COMMERCE

RESOLUTION

New Delhi, the 14th December 1948

No. 10-T(1)/48.—In their Resolution in the Ministry of Industry and Supply No. 88(2)-Tex. (1)/47, dated the 17th November 1947, the Government of India requested the Tariff Board to enquire into the cost of production of the various types of cloth and yarn produced, having special regard to the changes created by the introduction of the Standardisation Scheme devised by the Ad Hoc Committee on Textiles, which reported on the 14th June 1947. Consequent on the decision taken on the 19th January 1948 to drop the Standardisation Scheme the terms of reference were revised in Commerce Ministry Resolution No. 28(T) (46)/47, dated the 6th March 1948. The revised terms of reference are as follows:—

(1) To enquire into the cost of production of the various types of cloth and yarn produced and estimate fair ex-mill prices of cloth and yarn.

(2) To devise a suitable method for necessary adjustments from time to time in the fair ex-mill prices of cloth and yarn so as to allow for major fluctuations in the prices of raw cotton and other elements of cost of production.

2. The Board having investigated the matter has submitted its report. It has made the following recommendations:

(1) That the prices of yarn should be fixed at fair figures arrived at by it with suitable periodical adjustments for fluctuations in the main elements of cost, *viz.*, raw cotton, manufacturing charges, power and fuel, and stores

(Revision of prices it is suggested may be made every quarter allowing for the replacement cost of cotton at the average of the prices during the week ending on the 10th of the month preceding the quarter. Manufacturing charges would be revised only if average wages fluctuated by more than 10 per cent. either way. So also power and fuel and stores cost which each account for 7 per cent. of the cost of production would be revised if they altered by 50 per cent. of the cost at the time of the enquiry).

(2) That the prices of cloth should be fixed at fair figures arrived at by it with similar adjustments for the cost of cotton and manufacturing charges;

(3) That if it is decided that periodical revision of prices is necessary this revision should be entrusted to an independent body;

(4) That the recommendations of the Ad Hoc Committee regarding standardisation should be re-examined and adopted to the changed conditions of the present day;

(5) That the distribution charges for cloth and yarn should be carefully reviewed with a view to keeping retail prices within reasonable limits;

(6) That adequate measures to rationalise and re-equip the cotton textile industry should be taken so as to enable it to supply the requirements of a rising standard of living on the one hand and to face foreign competition on the other.

(8) In arriving at fair costs of production for yarn and cloth, the Board has allowed for depreciation at 4 per cent. on the block, interest on working capital at 3 per cent on the cost of 4 months' production, managing agent's commission at 7½ per cent. on gross profit less depreciation, and a margin of profit sufficient to provide for a return of 6 per cent on the gross block. The Government consider that issues of general application to all industries, like the claim for provision for depreciation on the basis of the current replacement value of machinery, or the statutory restriction of the agency commission payable to managing agents under the legal contracts now existing between them and the shareholders, should not be decided summarily in the present context. Some of these issues are covered by the Committee on Profit Sharing which reported to Government recently. The Government of India intend examining these issues separately.

4. The Government of India accept recommendation No. (1). For the purposes of fixing prices which came into effect on 4th August, the Government have already adopted this formula of the Tariff Board.

As regards recommendation No. (2) the Government of India similarly adopted the formula of the Tariff Board with some minor changes for the purpose of the ad hoc prices now in force. These prices have resulted in complaints from the industry that they are unremunerative. In view of this the Government examined the weaving costs of three mills which are known to be efficient and to maintain a satisfactory system of accounts and they felt that the weaving charges as fixed by the Board needed some slight revision. The matter has been further discussed with the Tariff Board and following this discussion, the Government of India now accept the Board's formula for the price of cloth except that in the place of weaving charges as worked out by the Board, these will be allowed for at the rate of 77·44 annas per loom shift for grey cloth of 86" width which is the Board's overall figure.

It does not appear to Government that any special machinery is required for periodically revising prices considering that the formulae covered by the first two recommendations are capable of application through the technical staff of the Textile Commissioner.

As to recommendation No. (4), Government are of the view that the reasons which persuaded them to drop the Scheme for Standardisation recommended by the Ad Hoc Committee last January hold good even today. The partition of the country, the consequent loss of a large portion of the types of cotton grown in Pakistan and the substitution therefor of similar cottons imported from other countries, makes it undesirable at present that production should follow any rigorous pattern. The purpose of the Standardisation Scheme devised by the Ad Hoc Committee was to secure increased production of yarn for hand-looms and the maximum production of cloth of the types most needed in the country. This purpose can equally well be secured by other means to devise which Government have appointed a Committee which is now examining the question of control over production (vide Resolution No. 80(3)/Tex. I/48, dated the 22nd October 1948).

5. Following the reimposition of control over cotton textiles on the 30th July 1948, the Government of India have decided to leave the fixation of wholesale and retail margins of profit to the Governments of the Provinces and States according to local conditions but in such a manner that the total burden on the consumer does not exceed 20 per cent. over the ex-mill prices. In view of this Government do not feel it necessary to accept the Board's recommendation No. 5.

6. In the last recommendation the Board have raised a question of great importance. The Textile Industry is by far the largest single industry in the country, providing employment directly for a large number of workers and indirectly for an even larger number of powerloom and handloom weavers. The question of the expansion and re-equipment of the industry has already been considered by Government in their Resolution No. 205-TA/45, dated the 4th May 1946, which approved of a plan for expansion and betterment of the Textile Industry. The Government of India propose to review this plan in the near future in the light of the changed circumstances in the country.

ORDER

ORDERED that a copy of this Resolution be communicated to all Provincial Governments, all Chief Commissioners, the several Ministries of the Government of India, Prime Minister's Secretariat, Cabinet Secretariat, the Private and Military Secretaries to His Excellency the Governor General, the Central Board of Revenue, the Auditor General, the Director General of Employment and Resettlement, the Director General, Industry and Supply, the High Commissioner for India, London, the Economic Adviser to Government of India, the Director General of Commercial Intelligence and Statistics, Calcutta, the Indian Trade Commissioner, London, the Indian Trade Commissioners at New York, Buenos Aires, Toronto, Alexandria, Colombo, Paris, Mombasa, Tehran and Sydney, His Majesty's Senior Trade Commissioner in India, the United States Embassy, New Delhi, the Canadian Trade Commissioner in India, the Australian Trade Commissioner in India, the Norwegian Consul General, Bombay, the High Commissioner for India in Pakistan, Karachi, the High Commissioner for Pakistan in India, New Delhi, the Secretary, Indian Tariff Board, Bombay, all recognised Chambers of Commerce and Associations and all Cotton Textile Mills.

ORDERED that a copy be communicated to the Government of Burma.

ORDERED also that it be published in the *Gazette of India*.

S. RANGANATHAN, Joint Secy.

